



Wibaux Public Schools

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Chairman McNutt and Committee Members:

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HB 630

Good neighbors are hard to find. They are the ones who watch your house for you when you are gone without being asked to do so. They take care of their property so the value of your property doesn't fall. They respect fences and privacy, and they even give out of the excess of their garden—the garden they planted, watered and paid for—to their neighbors.

House Bill 630 is a good neighbor bill. It acknowledges that the volatile, unpredictable, mostly privately held commodity of oil and gas can sometimes produce an unexpected boon for a local school district when the price of oil unexpectedly climbs. It is at these times that this bill calls for schools to be good neighbors and provides the opportunity for them to share the excess from their garden. In this case, the bill calls for districts receiving more than the total of their General Fund budget to begin to pay back the state the monies it contributed to that particular district.

School districts are poor second cousins to the state and county when it comes to oil money. Not only does the district get less money than either, but it also is prohibited the flexibility in managing the money that the state and county enjoy.

When it comes to distribution, for every \$1000 of tax money coming from an oil well in Wibaux County, the state gets approximately \$510, the County of Wibaux gets back about \$490. Wibaux Public School gets about \$154 of the county's \$490. That is a poor cousin indeed.

Schools must, by law, budget their oil and gas money in proportion to their levies. That often leaves the district scrambling to get money to the places needed. Schools have learned to be creative in order to spend the money where needed. Some schools levy no mills so the oil money they get can be distributed as the Board of Trustees deem appropriate. Some, who get little oil and gas money, choose to budget none, then the little they get can be placed in any fund the trustees deem. One school has been able to avoid running levies for a Technology Fund or a Building Reserve Fund by using this approach. They have replaced taxpayer mills with oil and gas money targeted to the funds that match the needs that year. The bill you have before you would eliminate this need to be creative by allowing true local control of locally generated oil and gas monies. This bill gives the same freedom enjoyed by the state the county to place oil and gas money where it is needed—and even to save for a roof or an addition or a replacement of a boiler.

Because of the current restrictions on the flow of oil and gas to funds based on mills levied, districts have a difficult time counting on a specific dollar value each year in any budgeted fund. Based on the price of oil and the mills levied, funds vary in what they receive. It is this inflexibility that makes it difficult for districts to budget to increase teacher salaries. The General Fund may not get

the money necessary to support such ongoing expenses from year to year. Freeing the money from being tied to the mills could allow districts to better plan for salaries. Salaries for teachers can only be paid from the General Fund and the Flex Fund, so those funds would have to have stable money flow to allow for districts to plan for recurring costs such as salaries.

Schools, like the state, understand how tricky estimating oil and gas can be. Two years ago, the price of oil fell from \$142 per barrel to \$35 in less than six months. No school can overestimate oil and gas. The cost of such optimism would be to bankrupt the school and leave staff with no pay. That very situation did occur in one northeastern school. That board tried to estimate based off the \$142 per barrel oil, and when the price dropped, were left with no money to pay bills for several months. Schools understand that the state is in the same predicament: it is too dangerous to overestimate oil and gas. Each year when I must estimate the oil production in March as the school sets its levies, I hold my breath, and lose sleep for months until I believe the district is safe and will have enough money to complete the year. This bill would allow flexibility so trustees and superintendents in oil and gas districts could sleep better at night.

The last part of this bill I like is that it requires not only schools to be good neighbors, but also requires that of the state as well. The last sections of the bill requires the state to use some of the oil and gas money they underestimate to fund schools. That is fair. We need to remember that at one time all this oil and gas money was local revenue. Much of that would have gone to schools. Now we share, more than half, with the state. If the state underestimates (as it will need to) it is appropriate that some of that underestimated oil and gas money would be set aside specifically for schools. That is where it originates.

I urge you to support this bill. Northeastern Montana is becoming as wild as the boom towns of the west during gold rush days. Managed right, providing for good schools that can adapt to lightening changes, can help turn the rush into a permanent revenue stream that can benefit the whole state.

Renee Rasmussen
Superintendent